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AUDIOVISUAL PROGRAMS

Federal Agencies' Cost Reporting and Management Practices

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The Honorable Glenn English
Chairman, Subcommittee on Government
Information, Justice, and Agriculture
Committee on Government Operations
House of Representatives

The Honorable Mel Levine
House of Representatives

By letter dated April 4, 1985, you jointly requested that we review executive branch audiovisual activities to develop information on the volume and cost of such activities and to test the departments' and agencies' compliance with Office of Management and Budget (OMB) policies and procedures for managing such activities. You noted in your letter that, for a number of years, representatives of both private industry and the federal government have expressed concerns about federal departments' and agencies' management of audiovisual activities. You noted further that these concerns included the magnitude and cost of federal audiovisual activities, the perceived poor management of such activities, and the potential for the federal government to realize economies by relying more on the private sector for its audiovisual needs.

To develop information on the volume and cost of federal audiovisual activities, we reviewed the costs of audiovisual activities reported by selected agencies to the National Audiovisual Center (NAC),[1] which has responsibility for compiling information on, and reporting annually, the number, type, and cost of audiovisuals produced and procured by federal departments and agencies. Further, because an audiovisual industry association had estimated that the production of audiovisual material cost the federal government around $1 billion annually and NAC has reported such expenditures to be around $100 million annually, we attempted to evaluate the reasons for the large disparity in reported amounts.

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[1]NAC is part of the National Archives and Records Administration. NAC serves as the central distribution point for federally produced audiovisuals. According to OMB, audiovisual productions include motion pictures, television, film strips, slide sets, and any combination of two or more of these. Among materials excluded from OMB's definition and exempt from NAC reporting requirements are information collected exclusively for surveillance, reconnaissance, or intelligence purposes; cartography; and graphic arts and still photographic activities not used in audiovisual productions.

To test the departments' and agencies' compliance with OMB policies and procedures for managing audiovisual activities, we interviewed officials involved in, and reviewed records and reports related to, agency audiovisual management, production, and accounting in six of the largest users--the Department of Defense; the United States Information Agency (USIA); the Veterans Administration; the Social Security Administration; the Internal Revenue Service; and the National Highway Traffic Safety Administration.

On April 10, 1986, we briefed your representatives on the results of our review. The results are summarized below and discussed in detail in appendix 1.

In summary, we found that the NAC-reported costs of federal audiovisual activities have been understated in the past because the military departments have not reported all such costs. For fiscal year 1984, the last year for which NAC-reported costs were available, NAC reported federal costs of about $88 million. However, this figure did not include military departments' costs associated with audiovisual equipment depreciation and facilities. Further, the military departments did not accurately accumulate cost data from field locations. However, the civilian agencies we reviewed appeared to have properly reported audiovisual costs, with the exception of USIA, which reported equipment purchases instead of equipment depreciation costs.

We also found that the private sector organization's $1 billion estimate of the annual costs of federal audiovisual activities was overstated in that the organization:

-- used a $500 million estimate for production costs, which included many categories of audiovisuals not classified as audiovisuals under the government's definition, such as graphics and still photography;

-- used a $500 million estimate for salaries based on nearly three times the number of federal workers employed in audiovisual job series as were actually employed; and

-- double-counted some salary costs.

In regard to the departments' and agencies' compliance with OMB policies and procedures, we found that each of the agencies reviewed was generally complying with OMB Circular A-114, which establishes policies for agencies' management of audiovisual activities, and OMB Circular A-76, which specifies procedures for determining whether work performed by federal activities can be done more economically by the private sector. As required by Circular A-114, all agencies reviewed that had in-house production capability at more than one location had either conducted reviews to assess the feasibility of consolidating facilities or examined the feasibility of centralized management. Of the agencies reviewed, all except USIA had developed plans for controlling the production of audiovisual products and our review of production files indicated that the agencies' plans were generally being implemented.

USIA was exempted by OMB from the control plan requirement because of its unique mission and audiovisual needs. Further, each agency reviewed had developed a cost reporting system for reporting annual expenditures to NAC. In regard to A-76, all agencies had either performed, or had initiated, an A-76 study.

As requested, we did not obtain official comments on the report from the agencies involved; however, the results of our study were discussed with the agency officials and their comments were incorporated where appropriate.

As agreed with your office, copies of this report are being sent to the Director, Office of Management and Budget, and to the heads of the agencies involved. Copies will be made available to others upon request. If you have any questions, please call me on 275-8676.

James G. Mitchell

James G. Mitchell
Senior Associate Director

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ABBREVIATIONS

DAP	Defense Audiovisual Policy Office
DAVA	Defense Audiovisual Agency
DOD	Department of Defense
GAO	General Accounting Office
IRS	Internal Revenue Service
JMLC	Joint Management-Labor Committee on Government Audio-Visual Policy
NAC	National Audiovisual Center
NHTSA	National Highway Traffic Safety Administration
OMB	Office of Management and Budget
OTP	Office of Telecommunications Policy
PPSSCC	President's Private Sector Survey on Cost Control
SSA	Social Security Administration
USIA	United States Information Agency
VA	Veterans Administration

FEDERAL AGENCIES' AUDIOVISUAL PROGRAMS

INTRODUCTION

Since the early 1970s, the costs and policies associated with government audiovisual materials--primarily motion pictures and videotape--have been the source of controversy and the subject of numerous management studies. In congressional hearings, private sector officials charged that the proliferation of federal agencies' audiovisual facilities had resulted in duplicative efforts, wasteful spending, under-utilization of production capability, and poor quality products. Moreover, estimates of annual federal audiovisual costs ranged from $125 million to $500 million in various federally commissioned reports completed between 1971 and 1978. Soon after these reports were issued, an audiovisual industry organization estimated that production of audiovisual material cost the federal government around $1 billion annually.

In 1978, in an effort to address some of the problems raised by the studies and to provide a method for calculating costs, the Office of Management and Budget (OMB) issued Circular A-114. This circular established guidelines for agencies' management of audiovisual activities and delegated to the National Audiovisual Center (NAC) the responsibility for gathering cost data from the agencies. NAC has collected data since 1978 and has consistently reported to the Congress that annual expenditures for audiovisual activities were in the range of $100 million. For fiscal year 1984, the last year for which data were available, NAC reported total audiovisual expenditures at $88 million.

Background

In June 1984, the Subcommittee on Government Information, Justice, and Agriculture, House Committee on Government Operations, conducted a hearing on H.R. 3325, a bill to establish an audiovisual oversight office within OMB. During the hearing, representatives of the videotape and motion picture industries testified that longstanding problems in the production and management of government audiovisuals still existed. Problems cited included duplication of production efforts among agencies, poor utilization of government facilities, and the lack of information on the volume and cost of federal audiovisual production. Estimates of government expenditures reaching into the billions of dollars were restated.

Witnesses also testified that government was competing with industry by producing audiovisuals in-house that could be provided more efficiently, more cost effectively, and with higher quality by private sector producers. Proponents of

H.R. 3325 stated that the best method for solving these problems was to establish an oversight office with statutory authority to implement policies regarding the acquisition, production, and distribution of audiovisual material and to require use of the private sector for most audiovisual production.

Previous Reports Detailed Recurring Problems, Gave Varying Expenditures Estimates

The issues raised in the 1984 hearing have been the subject of numerous reports by government panels and private sector representatives, dating at least as far back as 1971. In that year, Representative Barry Goldwater, Jr. conducted an investigation into government audiovisuals at the request of the American Federation of Television and Radio Artists and the Screen Actors Guild. Representative Goldwater issued a report[1] critical of government's duplicative in-house efforts and under-utilization of the private sector. This was followed in 1974 by an Office of Telecommunications Policy (OTP) report recommending that OMB take the lead in coordinating federal government audiovisual activities and that a simple, summary annual reporting policy be implemented.

In 1978, a presidential consultant panel issued a comprehensive report (the Lissit report) detailing audiovisual policies, practices, problems, and expenditures at several federal agencies. The recurring themes in these reports were that federal agencies should not be in the moviemaking business and should be relying much more heavily on private sector producers.

The Goldwater Report

The 1971 Goldwater report, The United States Government and the American-Radio-Television-Motion Picture Industry, contained the results of a survey of thirteen agencies deemed to be the largest audiovisual users. The report was compiled by a special assistant appointed by Congressman Goldwater. Among the findings was the existence of twelve films on brushing teeth, all made by the Department of Defense (DOD) within a 2-year period. In addition to pointing out such examples of duplicative effort, the report stated that approximately 54 percent of all audiovisual material was produced in-house and that annual government expenditures for audiovisual production were at least $125 million.

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[1] The United States Government and the American-Radio-Television-Motion Picture Industry.

Based on these findings, the Goldwater report included the following recommendations:

--Government make better use of private producers for the development and production of audiovisual material.

--Agencies undertake an appraisal of the procurement, utilization, and production of audiovisual materials, facilities, and equipment.

--Government eliminate unnecessary duplication of material and facilities.

--A Federal Audiovisual Coordination Board be established to devise and ensure compliance with audiovisual standards.

OTP Report

Shortly after the Goldwater report was issued, the Director of OMB established the Interagency Audiovisual Group, which was comprised of officials from 17 federal agencies and chaired by OTP. The group's charge was to conduct a study of in-house versus contract production of audiovisual material, the volume of and need for government-owned audiovisual equipment and facilities, and the potential for interagency coordination and cooperation for effective use of such equipment and facilities. In January 1974, the group issued its report, which is known as the OTP report. The report concluded that OMB policy requiring contracting out under certain circumstances (contained in OMB Circular A-76) had not been strictly and fully applied to audiovisual activities, that there was little or no coordination among agencies for procuring audiovisual equipment and facilities, and that duplication of products probably existed, but identifying duplication was very difficult due to the lack of an indexing system.

Among the report's recommendations were the following:

--Agencies should adhere strictly to A-76 policies in determining whether to establish, expand, or continue the use of in-house audiovisual production facilities.

--NAC should establish a common data base and develop an indexing scheme for all government audiovisual products.

--OMB should assume the responsibility for formulating government policy, for monitoring and coordinating federal audiovisual activities, and for evaluating compliance with that policy.

--OMB should develop a simple, summary annual reporting system to provide the President, the Congress, and the public with data concerning:

--The magnitude of federal audiovisual activities.

--The ratio of in-house to contract performance.

--The number, location, and utilization of various types of audiovisual facilities.

--The amount and type of recent and planned new investment in audiovisual facilities.

The Lissit Report

In 1977, President Carter directed that another study of government audiovisual activities be undertaken. The work was performed by a private contractor in cooperation with OTP. The resulting study, commonly referred to as the Lissit report (for the contractor who performed the review), was a multi-volume discussion of practices and procedures at several executive departments.

Lissit estimated that federal agencies were spending about $500 million annually on "all aspects" of audiovisuals, including products and services, new equipment, and salaries. The DOD portion of annual expenditures was estimated by Lissit to be about $350 million.

In addition to providing estimates for audiovisual expenditures in several agencies, the Lissit report was also an impetus behind OMB's issuance of Circular A-114. The need for such a directive was initially established in the OTP report and confirmed by Lissit.

Industry's "3 Billion Dollar Question"

In a 1979 statement issued to Members of Congress and other interested parties, representatives of the Joint Management-Labor Committee on Government Audio-Visual Policy (JMLC), an audiovisual industry association, provided estimates of government expenditures for audiovisual activities that added to what they termed the "3 billion dollar question." The Association estimated $2 billion in acquisition costs and $1 billion in annual expenditures for production and salaries. According to agency officials we interviewed and a later analysis performed by the President's Private Sector Survey on Cost Control (PPSSCC), estimates of this magnitude gave rise to a perception that federal government involvement in audiovisuals represented a "Hollywood on the Potomac."

Federal Efforts To Control Audiovisual Programs

Between 1978 and 1985, OMB issued policy documents aimed at responding to the issues and criticisms of the federal government's audiovisual activities that had been raised by the various reports. These policies introduced measures to control audiovisual productions, reduce the numbers of in-house audiovisual facilities, and provide a federal reporting mechanism.

OMB Circulars A-114 and A-76 Addressed Audiovisual Policy Problems

OMB issued Circular A-114 in April 1978 to "prescribe policies and procedures for improving the management of federal audiovisual activities." The circular gave specific guidance on the utilization of facilities and equipment, use of government personnel as performers, in-house processing of motion picture film, agency reporting requirements, and evaluation of audiovisual products. Production facilities that were utilized less than 950 hours during a year were to be shut down or merged with other facilities; government employees were not to appear in audiovisual productions unless performing their own job; in-house processing of motion picture film was to be virtually eliminated; agencies were to make use of and report activities to NAC; and agencies were also to evaluate how well audiovisual products met their objectives.

A 1985 revision of A-114 included an explicit requirement that agencies perform A-76 reviews of their audiovisual facilities by September 1987. OMB Circular A-76, as issued in 1966 and subsequently revised, is the policy document that specifies procedures for analyzing work performed by federal employees to determine whether it can be done more economically by private contractors. Although A-114 did not specifically mention A-76 until 1985, audiovisual activities have been subjected to A-76 policy since its issuance in 1966. According to the OMB official responsible for writing A-114, referring to A-76 in the A-114 revision served to re-emphasize the point that audiovisuals are a commercial activity that should be studied for conversion to contract.

NAC Report Established by A-114

Circular A-114 also gave NAC the responsibility for compiling information on the number, type, and cost of audiovisuals produced or procured by the agencies each fiscal year. A-114 requires agencies to submit, in standard format, all information necessary for NAC to publish its annual report.

The NAC report is intended to provide a realistic picture of federal audiovisual expenditures in four categories: production, duplication, library (distribution), and off-the-shelf purchases. Information is gathered for motion picture, videotape and disc, audio tape and disc, and an "other media" category which includes silent and sound filmstrips, sound slide sets, multimedia kits, and programmed learning packages utilizing audiovisual media.

The NAC report is not intended to include audiovisual information collected for surveillance, reconnaissance, or intelligence purposes, and it also excludes graphics, still photography, and documentation footage. If, however, excluded material is later used in production, associated costs then become reportable.

OMB Bulletin 81-16 Required Agency Control Plans

On April 20, 1981, President Reagan directed the heads of executive agencies to impose a moratorium on federal spending for new periodicals, pamphlets, and audiovisual products. Procedures and guidelines for implementing the moratorium were provided shortly thereafter in OMB Bulletin 81-16. The bulletin required agencies to conduct comprehensive reviews of all periodicals, pamphlets, and audiovisual products, and to determine which could be eliminated.

Agencies were also required to submit a control plan, outlining a step-by-step procedure for the production of any future audiovisuals, to OMB for approval. Control plans were to include confirmation of the audiovisual need at a management level above the requester, a search of existing product data bases, a decision to produce or procure, and a product evaluation. The bulletin also suggested that control plans should be periodically evaluated by the agency inspector general or an equivalent official. As the control plans were approved by OMB, the moratorium was lifted on an agency-by-agency basis.

PPSSCC Report Cited Improvements in Federal Audiovisual Management

Analyses performed in 1981 under the PPSSCC attributed a reported 13 percent decline in audiovisual expenditures from fiscal year 1981 to fiscal year 1982 to the moratorium and agencies' implementation of control plans.

According to the PPSSCC report, the control plans were well established at the time of review, and agencies universally supported the initiatives under A-114 and 81-16. Unlike the reports previously cited, all of which were written prior to the issuance of the OMB directives, the PPSSCC found that

audiovisual activities were generally operated in a cost-effective manner.

In addition to citing improvements in audiovisual management, the PPSSCC also disputed private sector claims that federal expenditures for film and videotape were in the billions of dollars, stating that such claims were unsubstantiated. In fact, the PPSSCC supported NAC's estimates that expenditures actually approached only about $100 million per year. According to the PPSSCC report, previous expenditure estimates included such items as graphic art, overhead transparencies, and still photography. None of these were meant to be in the NAC report because they are not audiovisual as defined in the NAC reporting guidance. At least part of the disparity, therefore, between private sector and NAC expenditure estimates was due to definitional differences, according to the PPSSCC.

Objectives, Scope, and Methodology

Objectives

By letter dated April 14, 1985, the Chairman, Subcommittee on Government Information, Justice, and Agriculture, House Committee on Government Operations, and Representative Mel Levine jointly requested that we review certain issues regarding federal audiovisual activities. As subsequently agreed with representatives of the requesters, our efforts were focused on (1) reviewing and documenting selected agencies' procedures for reporting audiovisual cost data to NAC, (2) determining whether OMB Circular A-114 policies were being adequately implemented and periodically reviewed by agency inspectors general, and (3) identifying the extent of agency reviews to consolidate and contract out their audiovisual activities, as required by A-114 and A-76. We also discussed with the requesters' representatives various estimates of federal audiovisual expenditures and agreed to examine the reasons for the wide disparity between NAC estimates and those ranging from $500 million to $1 billion annually.

Scope

The requesters asked us to examine the six largest federal users of audiovisual materials. The requesters' representatives subsequently agreed that we should limit our civilian agency reviews to the largest user bureau within each of the civilian departments identified in the request letter. Therefore, we performed work at the Office of the Secretary of Defense (DOD) and the Departments of the Army, the Navy, and the Air Force; the United States Information Agency (USIA); the Veterans Administration (VA); the Social Security Administration (SSA); the Internal Revenue Service (IRS), and the National Highway

Traffic Safety Administration (NHTSA). We also met with both OMB and NAC officials.

The agencies we reviewed accounted for $67 million (or 77 percent) of the $88 million reported by NAC as the total federal audiovisual expenditure for fiscal year 1984.

Our work was performed primarily in the Washington, D.C., area; however, we also visited audiovisual production sites at Ft. Eustis, Virginia; Aberdeen Proving Ground, Maryland; Los Angeles Air Force Station, California; China Lake Naval Weapons Center, California; and Norton Air Force Base, California.

Methodology

We interviewed individuals involved in agency audiovisual management, production, and accounting, and reviewed with them the processes by which audiovisual expenditures are estimated, accounted for, recorded, and reported to NAC. Where available, we documented procedures and forms that agencies use in collecting audiovisual cost data. We also discussed procedures used in completing the Annual Audiovisual Report, the document NAC uses to compile its annual report. We did not attempt to verify the accuracy of costs reported for individual audiovisual productions.

To address agencies' implementation of OMB Circular A-114, we first obtained the agencies' required audiovisual control plans and determined whether the major requirements and issues of the circular were addressed either in the control plans or in other agency policies and procedures. To determine whether agencies were implementing A-114, we then conducted limited tests of production file folders at each agency that had a control plan and in-house production capability, comparing the contents of the files with the agencies' own control plans. We reviewed a total of 65 files, judgmentally selecting at least 5 at each agency. We also documented agencies' efforts to consolidate their audiovisual production facilities.

To address the implementation of OMB Circular A-76, we identified the total numbers of positions and audiovisual facilities that had been reviewed for potential conversion to contract as of April 15, 1986, the date we completed our field work. We also obtained schedules of reviews planned but not yet completed. We did not attempt to evaluate the effectiveness or quality of completed A-76 reviews. We also identified the current status of a potential revision to A-76, requiring all audiovisual production facilities in civilian agencies to be contracted out by 1987 without performance of a cost comparison.

Finally, we discussed A-76 reviews with responsible officials at each agency and OMB.

We discussed overall management with an official from OMB's Office of Federal Procurement Policy (OFPP), the body charged with, among other things, oversight and policymaking responsibilities for federal audiovisuals. We also discussed reporting procedures and problems with officials from NAC.

We consulted with representatives from audiovisual industry groups, including the Directors Guild of America, the International Communications Industries Association, the International Independent Media Producers Association, the Council of Motion Picture/Television Unions, the United Producers Association Advisory Board, and the Mid-Atlantic United Producers Association. Our goal in talking with these individuals was to make sure that we understood as fully as possible the bases for their dissatisfaction with federal audiovisual practices and procedures.

Our work was performed in accordance with generally accepted government auditing standards.

INDUSTRY EXPENDITURE ESTIMATES WERE OVERSTATED

We found no evidence to indicate that federal audiovisual expenditures approached the $1 billion annual expenditure cited by the JMLC in 1979. We found that the reasons why the private sector organization over-estimated federal audiovisual costs were that it

--used a $500 million estimate for production costs which included many categories of audiovisuals not classified as audiovisuals under the government's definition,

--used a $500 million estimate for salaries based on nearly three times the number of federal workers employed in audiovisual job series as were actually employed, and

--double counted some salary costs.

Estimates of Government Audiovisual Expenditures Differed For A Variety Of Reasons

Our evaluation of the JMLC's $1 billion estimate of annual federal audiovisual expenditures disclosed that the $1 billion estimate was considerably overstated for three reasons.

Firstly, the $1 billion estimate included $500 million for production. The estimate was attributed to the Lissit report. This figure was cited by Lissit in his 1978 study. However, it was given as an estimate for "all aspects" of federal audiovisual expenditures, not just for production. Lissit derived his numbers from a previous DOD study which put DOD's expenditures at $350 million--$147 million for products and services, $40 million for new equipment, and $163 million for salaries. However, the DOD study also pointed out that the $350 million included still photography and materials used in print media, categories that are not considered audiovisual by NAC. DAP officials told us that they supplied the $350 million figure to Goldwater investigators and that many of the expenditures were related to graphics and still photography and other media categories exempted by the NAC report. Lissit's $500 million estimate is therefore not comparable with the figure reported annually by NAC.

Secondly, there is the $500 million in salaries for the 23,000 federal workers that JMLC believed were involved in federal audiovisual activities. According to Office of Personnel Management (OPM) records, only about 8,900 federal employees were in audiovisual job series at the time the JMLC made its estimate. While it is possible that individuals in other job series could be doing audiovisual work, we found no evidence of this in the agencies we visited.

Finally, the $500 million for salaries includes some double counting, because the Lissit estimate appeared to include a factor for this element.

FISCAL YEAR 1984 FEDERAL AUDIOVISUAL EXPENDITURES WERE UNDERSTATED

While the JMLC overestimated federal expenditures, we also found that NAC did not accurately report all fiscal year 1984 federal audiovisual expenditures to the Congress. This was primarily because DOD did not report its total expenditures to NAC as required by NAC procedures. Specifically, DOD did not include in its report to NAC either the depreciation costs of audiovisual equipment or the annual cost of facilities (rent, utilities, and building services) used to provide audiovisual services. DOD's difficulty in gathering cost data from field audiovisual facilities also contributed to the understatement.

NAC Guidance Provided A Reasonable Method For Developing Costs

In 1979 and again in 1985, NAC sent detailed instructions, including definitions of terms and recommended methods for calculating in-house costs, to federal agencies. Although the

narrative stated that the instructions were intended only as a guide and that agencies could use other means to determine in-house costs, NAC stressed the importance of including all costs associated with in-house audiovisual activities in agencies' annual reports to NAC.

According to NAC's Director, its instructions were developed using OMB's A-76 cost comparison handbook as a guide. Specific attention was given to the inclusion of general operating expenses such as general materials and supplies, rent and utilities, and equipment depreciation. To get an accurate picture of total costs, according to NAC, a facility's total general operating expenses should be divided by the number of its audiovisual products for the year and applied to the cost of producing individual products.

One of the major reasons agencies were required to report audiovisual expenditures was congressional concern that the government was heavily involved in developing products and services that could be performed more economically by the private sector. As a result, OMB developed policies requiring cost comparisons between government audiovisual facilities and private sector concerns. The A-76 Cost Comparison Handbook specifies how to make these comparisons. We compared the elements of NAC's guidance for computing in-house costs to the Handbook. We found that the NAC guidance included the major components listed in the Cost Comparison Handbook.

DOD'S Fiscal Year 1984 Reported Costs Were Inaccurate

For fiscal year 1984, DOD reported total audiovisual costs of approximately $46 million, or 53 percent of the reported $88 million governmentwide costs. These costs were substantially understated because DOD did not report certain required costs and because the agency did not accurately accumulate cost data from field locations.

DOD Has Not Reported All Audiovisual Costs

We found that DOD has not fully implemented NAC reporting guidance. It has not reported either audiovisual equipment depreciation or facilities costs (rent and utilities) and as a result, has understated the total amount spent on audiovisuals. An internal DOD report for fiscal year 1984 showed that DOD had approximately $771 million in audiovisual equipment inventory at acquisition cost, purchased $56 million in new audiovisual equipment for the year, and owned or rented nearly 2 million square feet of space in which audiovisual services were provided. (We did not verify the accuracy of this internal

report.) Although the report did not distinguish between equipment and facilities used for audiovisual and those used for graphics, still photography, and documentation, nor how much of the equipment was fully depreciated, some of the associated costs would have been reportable under NAC guidelines. Because the report did not distinguish between audiovisual and other uses, we were not able to estimate an amount for equipment and facilities expense.

We discussed reasons for noncompliance with NAC guidance with DOD's Office of Defense Audiovisual Policy (DAP) officials. In a memorandum to us, DAP's Deputy Assistant Director stated that compiling and reporting to NAC the cost of floor space and equipment depreciation was a "new tasking" without "justification, rationale, and descriptive guidelines" that would cost an inordinate amount of labor and bookkeeping and result in a cost figure less accurate than that currently reported. The Deputy Assistant Director went on to say that there are considerable unresolved problems, unique to the military, in reporting audiovisual equipment and facilities costs, primarily that many military audiovisual facilities and most types of audiovisual equipment are used for both reportable audiovisual products and exempted activities. Separating out the costs, according to DAP, would be extremely difficult and expensive.

DAP officials would not estimate how much equipment and facilities costs would add to DOD's total expenditures. However, they told us they believe the DOD fiscal year 1984 expenditure total reported to NAC may have been understated by as much as $39 million, irrespective of the failure to report equipment and facilities costs. DAP officials base this estimate on the difference between their fiscal year 1984 audiovisual budget of $85 million and their reported expenditure figure of $46 million. Reasons DAP officials gave for the understatement included:

--The difference in format between the internal form DOD uses to collect expenditure data from the field and the form DOD is required to submit to NAC.

--The large number (462) of DOD field offices that must complete expenditure reports.

--The necessity of reporting small dollar audiovisual products that are not maintained in the DOD data base and must be added to the report manually.

DAP officials stated that, while the budget number and the reported figure should not necessarily be equal, they should be reasonably close to one another. Along with its fiscal year 1984 expenditure report, which was submitted on

February 4, 1985, DOD included a letter to NAC stating that the reported figure "tracked with an acceptable degree of accuracy" with the audiovisual budget. In interviews with us, however, DAP officials stated that the letter was written before anyone noted that the disparity between the two numbers was $39 million. In another letter to NAC, dated November 20, 1985, DAP stated that the audiovisual report could not be reconciled with the fiscal year 1984 budget. According to this letter, the budget document is related to "real world operations," and the audiovisual report is not.

Funds Appropriated for Other Purposes Add to DOD's Reporting Difficulties

DOD's efforts to report accurately are further complicated by the fact that funds appropriated for other purposes are sometimes spent on audiovisual products. This happens most commonly when money appropriated for training is spent on in-house audiovisual products. According to DAP officials, these expenditures from funds appropriated for other purposes make total audiovisual expenditures about 10-15 percent higher than the audiovisual budget. Moreover, because training money is not accounted for in the audiovisual budget, DAP must rely on good reporting by field activities to obtain reliable information on the total volume of such reimbursable-type expenditures.

DOD Believes Fiscal Year 1985 Report More Accurate

For fiscal year 1985, DAP has reported to NAC a total audiovisual expenditure figure of $71 million, which is virtually the same as the budget figure for that fiscal year. (FY 1985 data was preliminary at the time of our review.) While this figure did not fulfill DAP's projection that money from other budgets would add 10-15 percent and while DOD still did not report audiovisual equipment and facilities costs, DOD believes the fiscal year 1985 number was more accurate than the $44 million it reported for fiscal year 1984. In a covering memorandum written to NAC, DAP outlined the reasons for the improvement, including:

--Use of expanded formatting instructions prepared by NAC.

--Implementation of a new DOD report format that more closely resembles the required NAC form.

Corrective Action Under Consideration

We discussed the DOD reporting problems with officials from OMB and NAC. They agreed that a reporting problem exists and they are considering the following alternatives:

--Changing the report criteria to conform with DOD's current practices.

--Requiring DOD to follow NAC guidance.

--Qualifying the NAC report to point out DOD departures from guidance.

According to the responsible OMB official, the alternative chosen will depend upon an analysis of the costs involved and the NAC report's utility.

Civilian Agencies Generally Complied with NAC Guidance

The civilian agencies we reviewed demonstrated to us that they have cost reporting systems in place which cover the major categories in the NAC guidance for in-house production. SSA, IRS, and VA cover all aspects of the guidance in their procedures. NHTSA does not have in-house production capability and does not, therefore, report any in-house costs. USIA deviates from the guidance--it reports new audiovisual equipment purchases instead of equipment depreciation.

We discussed reasons for non-compliance with USIA officials responsible for reporting to NAC. They told us that they never realized the guidance called for depreciating equipment. They also told us that USIA does not depreciate audiovisual equipment as a matter of policy. The OMB official we talked to said that he will consider USIA's situation when addressing alternatives for correcting problems in reporting to NAC.

Views on the NAC Report

Opinions on the accuracy of the NAC report vary widely among the agency officials and private sector representatives we talked to, but there is widespread agreement among them about the need for it. While virtually no one in the federal agencies we visited used the report as a management tool, several agency officials told us the report served to satisfy most requests for data from the Congress and private individuals. Likewise, private sector audiovisual representatives we talked to, while often questioning the report's accuracy, believed that some sort of reporting mechanism was beneficial.

Agency officials at DOD and OMB told us that before the NAC report existed, they often received requests from Members of the Congress and private citizens wanting to know how much the government was spending on particular aspects of audiovisual activities. Because there was no institutionalized method for gathering data, these officials said collecting information for these requests was time-consuming, costly, and inconsistent. Now that the report is available, requests for information can generally be handled by referring the requester to the NAC report and there is no extra expense required to generate the data. For this reason, DOD and OMB favor maintaining the report even though there are costs associated with its generation and it is not often used in managing audiovisual activities.

Private sector individuals we talked to were not completely satisfied with the NAC report in its current form, although several told us they believed the NAC staff did an excellent job of working with the data provided by the agencies and that the report was improving. Industry representatives were concerned, however, that the report missed important categories of expenditures, such as audiovisual portions of larger nonaudiovisual contracts. Low cost per minute figures extrapolated from NAC totals also caused industry representatives to question whether all overhead costs are included. As alternatives to the present reporting format, the private sector individuals we talked to suggested either a listing of all purchases made of audiovisual products and services or a reporting of agency audiovisual budgets.

We discussed alternative reporting formats with the private sector, NAC, and OMB. We found that current governmentwide procurement and budgeting formats do not allow for a complete reporting of all costs associated with audiovisual activities. According to OMB procurement officials, procurement reporting mechanisms are generally not detailed enough to distinguish small dollar purchases (less than $25,000) and are not categorized in a manner sufficient to distinguish all audiovisual costs. Similarly, current budgeting codes do not allow audiovisual costs to be separated as a distinct category. Therefore, we believe the current NAC reporting system is the best available approach of the alternatives we discussed for presenting federal audiovisual cost data.

AGENCIES GENERALLY IMPLEMENTED A-114 PROVISIONS

Of the agencies we visited, all except USIA address the four major issues identified by A-114--consolidation, management control plan, distribution/evaluation, and reporting--in their policies or procedures. Only USIA, which was exempted from this requirement by OMB because of its mission, does not have a written control plan. Control plans, which are used to ensure

that A-114 policies are followed on each production, were generally complete at the other agencies. Our review of selected production files indicated that agencies generally followed their control plans in producing audiovisuals, but they did not always possess the required documentation.

A-114 Contains Four Major Requirements

A revised version of OMB Circular A-114, which updates the original A-114 and incorporates OMB Bulletin 81-16 requirements, was issued in March 1985. (As noted earlier, Bulletin 81-16 placed a presidential moratorium on audiovisual products and services in 1981.) The revised circular requires agencies to designate a management oversight office with agencywide authority and contains four attachments outlining policies for consolidation, management, distribution and evaluation, and reporting. Specifically, agencies should:

--Consolidate audiovisual activities into as few locations as possible and perform OMB Circular A-76 studies.

--Institute a management control plan, which includes a needs assessment, a search of existing productions, and a completed Federal Audiovisual Production Report.

--Make use of NAC for distribution of audiovisuals and evaluate production and distribution.

--Report all audiovisual activity to NAC annually, using the Annual Audiovisual Report.

Agencies Implemented Requirements Of A-114

To determine whether agencies had implemented the requirements of A-114, we compared their control plans with the circular. Where requirements were not covered in the control plans, we asked agency officials to provide us with other evidence that the requirements were being met.

All agencies reviewed except USIA were implementing the requirements of A-114. USIA did not have a written control plan, but it was exempted from this requirement because of its mission to explain U.S. policies to foreign audiences. Although the OFPP official responsible for authoring A-114 told us that he believes USIA should be complying with the circular's central provisions, the agency was never required to devise a control plan. The Office of Federal Procurement Policy official told us this was because A-114 was not written with an agency like

USIA, whose mission requires constant use of audiovisuals as an integral part of everyday operations, in mind.

Control Plans Were Generally Complete

The primary components of a management control plan, as detailed in A-114, should be:

--Considering and documenting all factors indicating that an audiovisual product is needed (needs assessment).

--Searching commercial and government sources to determine whether an existing product can meet the need (subject search).

--Informing NAC of a new product being produced at the agency.

Control plans should also prohibit the use of government employees as actors and require unused (stock) footage to be submitted to NAC.

Table 1 compares the requirements of A-114 with agency control plans. DOD's control plan (which is implemented by each of the military departments) as well as those at VA, IRS, and NHTSA addressed most or all of the requirements, while SSA's was less complete. It did not require existing products to be searched nor production reports to be filed with NAC. However, all control plans we reviewed were approved by OMB.

Table 1
Control Plan Elements

Agency	Needs Assessment	Subject Search	Production Report	Gov't Actors	Stock Footage
Army	Yes	Yes	Yes	Yes	*
Navy	Yes	Yes	Yes	Yes	*
Air Force	Yes	Yes	Yes	Yes	*
IRS	Yes	Yes	Yes	No	No
NHTSA	Yes	Yes	Yes	Yes	Yes
SSA	Yes	No	No	No	No
USIA	No Plan	No Plan	No Plan	No Plan	No Plan
VA	Yes	Yes	Yes	Yes	Yes

*A-114 exempts DOD from this requirement.

Agencies Generally Implemented Control Plans But Supporting Documentation Was Not Always Present

We reviewed a limited number of production files at each agency with in-house production capability, except USIA, in order to determine whether the agencies were following the control plans they had established. Because USIA does not have a written control plan and because files relating to only a small percentage of productions are maintained, we did not review any files at USIA. We found that agencies generally follow their control plans, but that documentation required by the plans was not always present.

For example, four of the five files we reviewed at SSA did not include the internal approval form mentioned in the SSA control plan. Where this form was missing, however, we did see other evidence of management approval, such as handwritten memoranda and script approvals.

Also, SSA files did not contain evidence of subject searches as required by the circular. SSA officials told us that the reason they do not search is the extremely specific nature of most of their productions. For example, SSA produces many training tapes on such skills as how to handle telephone inquiries concerning retirement benefits, and agency officials

believe that it is inefficient to search the NAC data base when SSA is the only likely producer of such a product.

Production reports were also missing in SSA's files. SSA officials told us that they do not file production reports with NAC, the reason again being the very specific nature of SSA audiovisuals. Similarly, IRS files we reviewed did not contain subject searches or production reports. IRS officials told us that they consider most of their audiovisuals so specific as not to be of interest to other agencies nor likely to have been produced elsewhere.

A-114 contains a provision exempting "unique or highly-specialized technical materials useful only to a single agency" from the requirement for subject searches and production reports. We did not view actual productions to determine whether the exemptions from subject searches and production reports were used appropriately.

At Army's Aberdeen Proving Ground, we noted several production files that were missing internal forms or forms that were missing required signatures. In files at several military installations, required subject search printouts were not available. Agency officials at Aberdeen told us that in some cases these printouts are maintained at major command headquarters. At the Army Materiel Command at Aberdeen, we found another problem--only the costs for the year of completion are reported for productions requiring more than one fiscal year to complete. We brought this situation to the attention of DOD officials.

At the Los Angeles Air Force Station, several audiovisuals classified as small dollar local productions exceeded the DOD threshold for this classification. Because the appropriate category was not used, the productions were not approved at the proper level and subject searches which might have identified duplicate products were not done. We brought this situation to the attention of audiovisual managers at the Los Angeles Air Force Station.

Copies of subject searches were not retained in the five Air Force files we reviewed at Norton Air Force Base. An Air Force official at Norton told us that a copy of the subject search is often not included in the production file because the approving audiovisual manager retains the copy.

Control Plans Are Not Being Reviewed

OMB Bulletin 81-16, the policies of which were incorporated into the revised Circular A-114, stated that agency control plans should be evaluated periodically to determine if they are

operating as intended and if they are effective. The bulletin further stated that such reviews could be performed by the Inspectors General at the agencies. None of the Inspectors General at the agencies we examined had conducted these types of reviews.

Agencies Have Made Efforts To Consolidate Audiovisual Facilities

Circular A-114 states that agencies should, as a general rule, attempt to consolidate their audiovisual activities into a single facility within each metropolitan area. The circular further states that where consolidation is not feasible or economical, multiple facilities should be centrally managed. The circular does not have a deadline or specific reporting mechanism for consolidation.

Agencies' Consolidation Status Was Varied

Two of the agencies we reviewed had no in-house audiovisual production capability and two had only one facility each. One agency conducted a consolidation review at its 35 audiovisual activities in 1978. The three military services, which had numerous in-house facilities, had studied either centralized management or consolidation at the time of our review.

As of April 15, 1986, consolidation status of each agency we visited was:

--NHTSA and IRS had no in-house production capability. SSA and USIA each had one in-house facility.

--In 1978 VA surveyed the effectiveness and utilization of approximately 35 audiovisual activities. A VA official told us that, as a result of this survey, VA was able to reduce the number of its facilities to four geographically dispersed production centers and two support activities.

--In 1985, the Air Force centralized the management of its seven production centers to streamline reporting requirements.

--Between 1978 and 1986 the Army centralized the management of its 1,500 audiovisual facilities to approximately 260 management organizations. Additionally, the Army is currently considering the feasibility of consolidating the work at its 23 facilities with production capability into 6 regional facilities. The remaining 17 will either be eliminated or have their resources cut. We were told that this consolidation is feasible in part because of

the annual report each Army audiovisual activity submits to the Army's Office of the Assistant Chief of Staff for Information Management. According to Army officials, the reports permit them to monitor continuously the activities, resources, workload, and volume of output for consolidation potential.

--In November 1984 the Navy began a review of its 358 audiovisual activities. The review was completed in June 1986 and will lead to a 40 percent reduction in Navy audiovisual activities by the end of calendar year 1986, according to Navy officials.

DOD Attempted Department-wide Consolidation

DOD established the Defense Audiovisual Agency (DAVA) on June 12, 1979, to centrally manage audiovisual production, acquisition, distribution, and depository support services that met any of the following criteria:

--intended use for more than one DOD component;

--intended for public exhibition;

--required commercial or contract production (unless products were part of a large information or technical package);

--adopted products from other federal agencies;

--required production or acquisition costs in excess of $50,000; or

--required by DOD components that did not have and were not authorized production or acquisition capabilities.

DOD also placed DAVA under the authority of the Assistant Secretary of Defense for Public Affairs and set up a Defense Audiovisual Steering Committee, whose membership consisted of representatives from both DAVA and the military services for the primary purpose of ensuring that the services would have a voice in DAVA's management operations.

DAVA began operations with resources transferred to it by the military departments. It had an initial staff of 678, and was headquartered at the Norton Air Force Base. In 1981, DAVA assumed part of the audiovisual activities of various military services and centralized the activities at three locations: Norton Air Force Base in California, the Washington, D.C. Navy Yard, and Tobyhanna Army Depot in Pennsylvania. DAVA at Norton

served as a consolidated motion media depository, an in-house production facility, and a distribution facility. The Washington Navy Yard facility consolidated the still photograph depositories and included a distribution activity. Finally, DAVA's Tobyhanna Army Depot facility served as a distribution center for Army films and training aids.

In April 1985, the Assistant Secretary announced that DAVA would be dissolved because audits and inspections indicated that DAVA's creation had resulted in neither cost savings nor a more efficient audiovisual program.

Personnel and facilities assigned to DAVA were designated for transfer back to the three military services. The DAVA/Norton Activity was transferred to the Air Force, the DAVA/Tobyhanna Activity transferred to the Army, and the DAVA/Washington Activity was divided between the Army and the Navy in order to give each a capability to manage contract productions. The Air Force took over the operation of the Defense Audiovisual Information System, a congressionally mandated computer system used to account for audiovisual resources and prevent duplication. The American Forces Information Service, a DOD activity, assumed management of joint audiovisual activities.

AGENCIES WERE IMPLEMENTING A-76 REVIEWS OF AUDIOVISUAL ACTIVITIES

Each of the agencies we reviewed has either performed an A-76 study or has initiated the review process. OMB officials are considering a potential revision to A-76 that would mandate conversion of federal audiovisual facilities to contract.

A-76 Has Evolved To Promote Economy And Efficiency

The policy now reflected in OMB Circular A-76 was first promulgated in a 1955 Bureau of Budget Bulletin which stated that government will not engage in any commercial activity that can be procured from private enterprise. OMB Circular A-76, first published in 1966, emphasized reducing the cost of carrying out government programs by weighing the disadvantages of continuing commercial activities in-house. The circular was revised in 1979 and introduced the concept of performance work standards--a method for measuring employee productivity--for government operations.

According to an OMB official, many agencies were hesitant in their implementation of the circular because management studies were not mandatory and cost comparison techniques were unrefined. In 1983, A-76 was revised to mandate agencies'

management efficiency reviews by September 1987 and to streamline cost comparison procedures. In late 1984, in consultation with the President's Council on Management Improvement, OMB focused A-76 on 14 commercial activities. One of these was audiovisual services.

A-76 requires agencies to:

--Complete and annually update an inventory of all their government commercial activities, listing the number of staff positions involved in each of the 14 general categories.

--Develop a performance work statement and quality assurance plan to describe the employee performance standards of the organization under study. Agencies then determine, through management efficiency studies, the most efficient and effective in-house performance of the commercial activity.

--Conduct cost comparisons to determine whether in-house performance should be continued or converted to contract. Activities with 10 employees or fewer may be converted to contract without conducting cost comparisons.

Agencies Vary in Their Review Status

As illustrated in table 2, agencies we reviewed had a total of 5,850 audiovisual positions. Of these, approximately two-thirds (4,006) had either been studied under A-76 or exempted from review by the agencies. Of the remaining 1,844 positions, 1,714 were scheduled for review by September 1987 and 130 were unscheduled.

The 2,769 exempted positions included 1,164 that the Army and Air Force classified as necessary for national defense reasons. Also exempted were 1,180 positions at USIA's Voice of America. OMB requested that it undertake a productivity improvement program in lieu of A-76 studies. USIA also exempted 12 positions in a photo laboratory that employed handicapped persons. VA exempted 413 positions because they were in support of indirect patient care, a classification the agency determined was not subject to A-76 reviews.

We identified 130 positions in audiovisual series that were not yet reviewed and not scheduled for review. This number included 127 positions at USIA. According to USIA, the positions are scattered throughout the agency in groups of fewer than 10, thereby exempting them from the cost-comparison requirement.

Table 2
Status of Audiovisual A-76 Reviews

Agency	Total Audiovisual Positions	Exempted Positions	Positions Reviewed	Positions Scheduled for Review	Positions Not Reviewed and Not Scheduled
Army	2,336	628	728	980	0
Navy	580	0	187	393	0
Air Force	1,027	536	318	173	0
IRS	7	0	4	0	3
NHTSA	0	0	0	0	0
SSA	8	0	0	8	0
USIA	1,450	1,192	0	131	127
VA	442	413	0	29	0
Totals	5,850	2,769	1,237	1,714	130

Potential Revision of A-76 Would Mandate Conversion to Contract

OMB's Deputy Associate Director, Management Improvement Division, in conjunction with the President's Council on Management Improvement, has prepared a revision of A-76 for the Deputy Director's consideration. The revision designates certain functions--those believed to be performed cost-effectively by the private sector nationwide--for mandatory conversion to contract. Audiovisual services is one such function. An OMB publication stated that the change is designed to concentrate A-76 resources on those activities that can benefit most from formal cost studies. At the time of our review, the draft revision was under consideration by the Deputy Director.

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